

Senate Engrossed

State of Arizona
Senate
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 288

SENATE BILL 1286

AN ACT

AMENDING SECTION 38-651, ARIZONA REVISED STATUTES; RELATING TO PUBLIC
EMPLOYEES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-651, Arizona Revised Statutes, is amended to
3 read:

4 38-651. Expenditure of funds for health and accident insurance

5 A. The department of administration may expend public monies
6 appropriated for such purpose to procure health and accident coverage for
7 full-time officers and employees of the state and its departments and
8 agencies. The department of administration may adopt rules which provide
9 that if an employee dies while the employee's surviving spouse's health
10 insurance is in force, the surviving spouse shall be entitled to no more than
11 thirty-six months of extended coverage at one hundred two per cent of the
12 group rates by paying the premiums. No public monies may be expended to pay
13 all or any part of the premium of health insurance continued in force by the
14 surviving spouse. The department of administration shall seek a variety of
15 plans, including indemnity health insurance, hospital and medical service
16 plans, dental plans and health maintenance organizations. On a
17 recommendation of the department of administration and the approval of the
18 joint legislative budget committee, the department of administration may
19 self-insure for the purposes of this subsection. If the department of
20 administration self-insures, the department may contract directly with
21 preferred provider organizations, physician and hospital networks, indemnity
22 health insurers, hospital and medical service plans, dental plans and health
23 maintenance organizations. The department of administration by rule shall
24 designate and adopt performance standards, including cost competitiveness,
25 utilization review issues, network development and access, conversion and
26 implementation, report timeliness, quality outcomes and customer satisfaction
27 for qualifying plans. The qualifying plans for which the standards are
28 adopted include indemnity health insurance, hospital and medical service
29 plans, closed panel medical and dental plans and health maintenance
30 organizations, and for eligibility of officers and employees to participate
31 in such plans. Any indemnity health insurance or hospital and medical
32 service plan designated as a qualifying plan by the department of
33 administration must be open for enrollment to all permanent full-time state
34 employees, except that any plan established prior to June 6, 1977 may be
35 continued as a separate plan. Any closed panel medical or dental plan or
36 health maintenance organization designated as the qualifying plan by the
37 department of administration must be open for enrollment to all permanent
38 full-time state employees residing within the geographic area or area to be
39 served by the plan or organization. Officers and employees may select
40 coverage under the available options.

41 B. The department of administration may expend public monies
42 appropriated for such purpose to procure health and accident coverage for the
43 dependents of full-time officers and employees of the state and its
44 departments and agencies. The department of administration shall seek a
45 variety of plans, including indemnity health insurance, hospital and medical

1 service plans, dental plans and health maintenance organizations. On a
 2 recommendation of the department of administration and the approval of the
 3 joint legislative budget committee, the department of administration may
 4 self-insure for the purposes of this subsection. If the department of
 5 administration self-insures, the department may contract directly with
 6 preferred provider organizations, physician and hospital networks, indemnity
 7 health insurers, hospital and medical service plans, dental plans and health
 8 maintenance organizations. The department of administration by rule shall
 9 designate and adopt performance standards, including cost competitiveness,
 10 utilization review issues, network development and access, conversion and
 11 implementation, report timeliness, quality outcomes and customer satisfaction
 12 for qualifying plans. The qualifying plans for which the standards are
 13 adopted include indemnity health insurance, hospital and medical service
 14 plans, closed panel medical and dental plans and health maintenance
 15 organizations, and for eligibility of the dependents of officers and
 16 employees to participate in such plans. Any indemnity health insurance or
 17 hospital and medical service plan designated as a qualifying plan by the
 18 department of administration must be open for enrollment to all permanent
 19 full-time state employees, except that any plan established prior to June 6,
 20 1977 may be continued as a separate plan. Any closed panel medical or dental
 21 plan or health maintenance organization designated as a qualifying plan by
 22 the department of administration must be open for enrollment to all permanent
 23 full-time state employees residing within the geographic area or area to be
 24 served by the plan or organization. Officers and employees may select
 25 coverage under the available options.

26 C. The department of administration shall designate the Arizona health
 27 care cost containment system established by title 36, chapter 29 as a
 28 qualifying plan for the provision of health and accident coverage to
 29 full-time state officers and employees and their dependents. The Arizona
 30 health care cost containment system shall not be the exclusive qualifying
 31 plan for health and accident coverage for state officers and employees either
 32 on a statewide or regional basis.

33 D. Except as provided in section 38-652, public monies expended
 34 pursuant to this section each month shall not exceed:

35 1. ~~Two hundred fifteen~~ FIVE HUNDRED dollars multiplied by the number
 36 of officers and employees who receive individual coverage.

37 2. ~~Four hundred sixty~~ ONE THOUSAND TWO HUNDRED dollars multiplied by
 38 the number of married couples if both members of the couple are either
 39 officers or employees and each receives individual coverage or family
 40 coverage.

41 3. ~~Four hundred sixty~~ ONE THOUSAND TWO HUNDRED dollars multiplied by
 42 the number of officers or employees who receive family coverage if the
 43 spouses of the officers or employees are not officers or employees.

44 E. Subsection D of this section:

1 1. Establishes a total maximum expenditure of public monies pursuant
2 to this section.

3 2. Does not establish a minimum or maximum expenditure for each
4 individual officer or employee.

5 F. In order to ensure that an officer or employee does not suffer a
6 financial penalty or receive a financial benefit based on the officer's or
7 employee's age, gender or health status, the department of administration
8 shall consider implementing the following:

9 1. Requests for proposals for health insurance that specify that the
10 carrier's proposed premiums for each plan be based on the expected age,
11 gender and health status of the entire pool of employees and officers and
12 their family members enrolled in all qualifying plans and not on the age,
13 gender or health status of the individuals expected to enroll in the
14 particular plan for which the premium is proposed.

15 2. Recommendations from a legislatively established study group on
16 risk adjustments relating to a system for reallocating premium revenues among
17 the contracting qualifying plans to the extent necessary to adjust the
18 revenues received by any carrier to reflect differences between the average
19 age, gender and health status of the enrollees in that carrier's plan or
20 plans and the average age, gender and health status of all enrollees in all
21 qualifying plans.

22 G. Each officer or employee shall certify on the initial application
23 for family coverage that such officer or employee is not receiving more than
24 the contribution for which eligible pursuant to subsection D of this section.
25 Each officer or employee shall also provide such certification on any change
26 of coverage or marital status.

27 H. If a qualifying health maintenance organization is not available
28 to an officer or employee within fifty miles of the officer's or employee's
29 residence and the officer or employee is enrolled in a qualifying plan, the
30 officer or employee shall be offered the opportunity to enroll with a health
31 maintenance organization when the option becomes available. If a health
32 maintenance organization is available within fifty miles and it is determined
33 by the department of administration that there is an insufficient number of
34 medical providers in the organization, the department may provide for a
35 change in enrollment from plans designated by the director when additional
36 medical providers join the organization.

37 I. Notwithstanding the provisions of subsection H of this section,
38 officers and employees who enroll in a qualifying plan and reside outside the
39 area of a qualifying health maintenance organization shall be offered the
40 option to enroll with a qualified health maintenance organization offered
41 through their provider under the same premiums as if they lived within the
42 area boundaries of the qualified health maintenance organization, provided
43 that:

1 1. All medical services are rendered and received at an office
2 designated by the qualifying health maintenance organization or at a facility
3 referred by the health maintenance organization.

4 2. All nonemergency or nonurgent travel, ambulatory and other expenses
5 from the residence area of the officer or employee to the designated office
6 of the qualifying health maintenance organization or the facility referred
7 by the health maintenance organization shall be the responsibility of and at
8 the expense of the officer or employee.

9 3. All emergency or urgent travel, ambulatory and other expenses from
10 the residence area of the officer or employee to the designated office of the
11 qualifying health maintenance organization or the facility referred by the
12 health maintenance organization shall be paid pursuant to any agreement
13 between the health maintenance organization and the officer or employee
14 living outside the area of the qualifying health maintenance organization.

15 J. The department of administration shall allow any school district
16 in this state that meets the requirements of section 15-388, a charter school
17 in this state that meets the requirements of section 15-187.01 or a city,
18 town or county that meets the requirements of section 38-656 to participate
19 in the health and accident coverage prescribed in this section. A school
20 district, a charter school, a city, a town or a county rather than the state
21 shall pay directly to the benefits provider the premium for its employees.

22 K. The department of administration shall determine the actual
23 administrative and operational costs associated with school districts,
24 charter schools, cities, towns and counties participating in the state health
25 and accident insurance coverage. These costs shall be allocated to each
26 school district, charter school, city, town and county based upon the total
27 number of employees participating in the coverage.

28 L. Insurance providers contracting with the state shall separately
29 maintain records that delineate claims and other expenses attributable to
30 school district, charter school, city, town and county participation in the
31 state health and accident insurance coverage and, by November 1 of each year,
32 shall report to the department of administration the extent to which state
33 costs are impacted by participation of school districts, charter schools,
34 cities, towns and counties in the state health and accident insurance
35 coverage. By December 1 of each year, the director of the department of
36 administration shall submit a report to the president of the senate and the
37 speaker of the house of representatives detailing the information provided
38 to the department by the insurance providers and including any
39 recommendations for possible legislative action.

40 M. Any person that submits a bid to provide health and accident
41 coverage pursuant to this section shall disclose any court or administrative
42 judgments or orders issued against that person within the last ten years
43 before the submittal.

~~APPROVED BY THE GOVERNOR MAY 1, 2001.~~

~~FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 1, 2001.~~

Passed the House April 24, 2001

by the following vote: 54 Ayes,

0 Nays, 6 Not Voting

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

Passed the Senate March 20, 2001

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting

[Signature]
President of the Senate

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

26 day of April, 2001,

at 10:43 o'clock AM M.

[Signature]
Secretary to the Governor

Approved this first day of

May, 2001,

at 10:10 o'clock 4 M.

[Signature]
Governor of Arizona

S.B. 1286

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 1 day of May, 2001,

at 4:45 o'clock P M.
[Signature]
Secretary of State